

**AMARILLO HOSPITAL DISTRICT
REGULAR MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
COMMISSION CHAMBERS
MINUTES
January 27, 2004
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Ernie Boyd, Chair	Yes
Mr. Dave Taylor, Vice-Chair	Yes
Ms. Karen O'Hara, Secretary	Yes
Ms. Nancy Seliger	No
Dr. Constantine Saadeh	Yes
Mr. Sam Spradlin	Yes
Mr. John Turner	Yes

Also Present

Mr. Marcus Norris	City Attorney, City of Amarillo
Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Debbie Close	Recording Secretary, City of Amarillo
Mr. Andy Ray	Clifton Gunderson
Mr. Jerry McMillon	Clifton Gunderson
Mr. Roy Browning	Wachovia Securities
Mr. Scott McIntyre	First Southwest Asset Management, Inc.
Mr. David Clark	Amarillo Area Healthcare Specialists
Dr. Steven Berk	Texas Tech University Health Sciences Center

ITEM I: Mr. Boyd called the meeting to order at 7:30 a.m. at City Hall, 509 East 7th Street, Third Floor, Commission Chambers, and welcomed those in attendance.

ITEM II: Mr. Boyd presented the Minutes of the October 28, 2003 meeting. Motion for approval was made by Ms. O'Hara, seconded by Mr. Spradlin and unanimously carried.

ITEM III: Presentation and Discussion of the Pension Fund Investment Performance Review. Mr. Browning of Wachovia Securities presented a review of the AHD pension plan performance of the Amarillo Hospital District employees pension fund for the period ending December 31, 2003. Mr. Browning reviewed that at the end of the year the composition of the Portfolio was 52% fixed income, 29% equity, and 20% cash. He stated that the composition of the Portfolio directly impacted the returns, cash being the lowest yielding investment. Mr. Browning reported that the portfolio had a return of 4.37% for the quarter compared to a market index of 5.5%. For the last twelve months, the portfolio had a return of 11.86% compared to a market index of 14.68%. Mr. Browning reported that looking at a comparison of the equity portion the Portfolio had a return of 37.32% for the one year period compared to the market of 28.68 and the fixed income portfolio was ahead of the market in all periods. The high percentage of cash explains the lack of returns for the current year. The return of the portfolio ranked in the 95th percentile for the quarter ending December 31, 2003, the 98th percentile for the last 12 months, the 42nd percentile for the three year period, and the 77th percentile for the

five year period. Mr. Browning stated that the Portfolio had great returns in stocks and bonds but was over-weighted in cash. Mr. Browning stated that the Manager was a terrific selector of stocks but not a good allocator of assets. Mr. Boyd asked for an analysis of how the Portfolio would have performed if they had used the allocation as defined in the Policy. Mr. Browning also suggested that he present to the Board recommendation of required allocation of assets to be included in the Investment Policy.

ITEM IV. Presentation and Discussion of the AHD Portfolio Review. Mr. Scott McIntyre, First Southwest Asset Management, Inc., presented the review of the AHD's portfolio managed by Amarillo National Bank, Plains National Bank, and Herring National Bank. Mr. McIntyre stated that each portfolio is in compliance with State law and with the AHD investment policy. On a consolidated basis, the average maturity of the total portfolio was 5.4 years with an overall weighted average yield of 4.29%. Mr. McIntyre explained that the portfolio includes callable securities, which have a high probability of being called during the next fiscal year. Reinvestment of these securities will most likely be at lower interest rates, which will bring down the average yield of the portfolio. Mr. McIntyre stated that during the last year the portfolio was traded more actively than in past reviews. He suggested to the Board with the active trading maybe a performance review on a rate of return basis would be more meaningful. Mr. McIntyre recommended to the Board that securities lending be added as an allowable investment tool. He also recommended that the money managers that safekeep investments at Bank of New York reconcile the internal investment reports to the safekeeping reports on a monthly basis.

ITEM V. Review and Discussion of Audit by Clifton Gunderson. Mr. Andy Ray presented the Amarillo Hospital District Audit Report for the year ended September 30, 2003. Mr. Ray stated that the audit had an unqualified opinion. He reviewed the Statement of Total Assets and explained that liabilities had gone up to recognize the AHD share of the Children's Hospital, which was estimated at \$1.6 million. Jerry McMillon reviewed the Retirement Plan for Employees of Northwest Texas Healthcare System Audit Report for the year ended September 30, 2003. Mr. McMillon explained that this audit was also issued an unqualified opinion. Mr. McMillon reviewed the Statement of Net Assets and the Statement of Changes in Plan Net Assets.

ITEM VI. Consider Assignment of the Contract with Amarillo Area Healthcare Specialists to Texas Tech University. Dr. Berk said they were asking for one contract between AAHS and Texas Tech, and that they will provide one service. Dr Berk said that the plan is for all of the pediatric specialists of AAHS to come together with Texas Tech. Dr. Berk also said that as a group they would take total responsibility for special needs and for all of the specialties that are needed in pediatrics. Dr. Berk said that this could not be done without the ongoing support of Amarillo Hospital District and the support of some other groups as well. Ms. O'Hara asked Dr. Berk if both parties agree with this and Dr. Berk replied yes, that this has been in the planning stages for months. Mr. Spradlin asked Dr. Berk if the merge had been officially done? Dr. Berk replied no, that there are still quite a few details that have to be taken care of at Texas Tech and with this group. Mr. Norris said that the Resolution brought before the Board would be approving the merging and the continued funding as stated on the Resolution. Motion for approval of the Board agreeing to a signed Contract with AAHS to Texas Tech was made by Karen O'Hara, seconded by Dr. Saadeh and unanimously carried.

ITEM VII. Consider Purchase of Pension Administration Software. Mr. Frigo made a request to the AHD Board to purchase pension administration software to maintain the service records of the employees. Mr. Frigo explained that maintaining service records is especially important for employees who have service with multiple employers. Mr. Frigo also said that the software would cost \$9,000 to start and \$9,000 a year after that. Motion for approval of purchasing the software was made by Mr. Spradlin, seconded by Mr. Taylor and unanimously carried.

ITEM VIII. Review and Consider Revisions of Bylaws. Mr. Frigo stated that the Bylaws require that the Board review them annually. The last phrase of B, under statement of purpose, would read: "...indigent community." Currently there is no mention of indigent in phrase B. Motion for approval of the changes to the Bylaws was made by Ms. O'Hara, seconded by Mr. Turner and the motion unanimously carried.

ITEM IX. Presentation of Quarterly Financial Statements. Mr. Frigo gave an overview of the AHD preliminary financial statements for the end of the fiscal year September 30, 2003. Mr. Frigo reported that the AHD has total assets of \$233.7 million, current liabilities in the amount of \$3 million and long-term liabilities of \$1.2 million. Mr. Frigo reported that the AHD had total revenue of \$685,355 and total expenses of \$2.3 million, for a net loss of \$1.6 million. He said without the unrealized investment loss, the District has net income of approximately \$350,000. Mr. Frigo also reviewed the budget versus actual report at September 30, 2003. Mr. Frigo stated that actual interest income of \$2.6 million is at 23.39% of the amount budgeted. Mr. Frigo reviewed expenditures with actual expenditures in the amount of \$2.3 million compared to 20.54% of the amount budgeted.

ITEM X: Quarterly Investment Report from Investment Officer. Mr. Taylor reported that for the quarter ending December 31, 2003, as the memo to the Board states, the Investment Portfolio was in compliance with state law and the AHD's Investment Policy.

ITEM XI: Committee Reports. There were no committee reports.

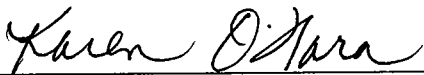
ITEM XII: Consider City Attorney Attending Health Care Law Seminar. Mr. Norris asked the Board that to consider him to attend a Health Care Law Seminar each year or once every other year. Mr. Norris said that it would be beneficial to him and to the Board. Motion for approval of Mr. Norris attending Health Care Law Seminars was made by Ms. O'Hara, seconded by Mr. Turner and the motion unanimously carried.

ITEM XIII: Consider Reimbursing the City Attorney's Office for the Purchase of Law Books on Health Care Law. Mr. Norris said that he recently purchased some law books regarding health care law. Motion for approval that the Board invest in the education of the City Attorney and reimburse his office for the purchase of law books on health care law was made by Ms. O'Hara, seconded by Mr. Turner and the motion unanimously carried.

ITEM XIV: Executive Session to Discuss Pending Litigation. The Board convened into Closed Session at 8:47 a.m. The Board reconvened into Open Session at 9:08 a.m.

ITEM XV: Public Comments. Mr. David Clark, CEO of Amarillo Area Healthcare Specialists, commented on the merger of Texas Tech University and Amarillo Area Healthcare Specialists. Mr. Clark said that they are excited about this merger and that it creates a good partnership.

ITEM XVI: There being no further business, Mr. Taylor made the motion for adjournment at 9:12 a.m. This meeting was recorded and all comments are on file in the City Finance Department.



Karen O'Hara, Secretary



Ernie Boyd, Chair